Actions Are Being Taken to Improve the Automated Collection System, but a More Effective Planning and Management Framework Is Needed

January 2003

Reference Number: 2003-30-044

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

January 27, 2003

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED DIVISION
COMMISSIONER, WAGE AND INVESTMENT DIVISION

Gordon C. Milbourn III

FROM: Gordon C. Milbourn III
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Actions Are Being Taken to Improve the Automated Collection System, but a More Effective Planning and Management Framework Is Needed (Audit # 200130047)

This report presents the results of our review of the effectiveness of the Small Business/Self-Employed (SB/SE) Division's efforts to meet taxpayer demand for access to the Automated Collection System (ACS)[1] inbound-call program. The ACS is an integral part of the Internal Revenue Service's (IRS) efforts to collect unpaid taxes and secure unfiled tax returns from both individual and business taxpayers. We performed this review as part of our continuing audit coverage of the IRS' various toll-free product lines since, for the past several years, the Congress and other stakeholders have raised concerns about taxpayer access to the IRS' toll-free system.

Summary

Since the major IRS reorganization in Calendar Year 2000, the SB/SE Division has worked to establish a management structure for controlling and monitoring the ACS Program. SB/SE Division management recognizes the need to improve its ability to meet taxpayer demand for access to the ACS and, at the time of our review, was working with contract consultants to develop new workload planning and workforce management systems for the ACS.

---

[1] The ACS is a computerized inventory system that maintains certain balance due accounts and return delinquency investigations. The ACS generally receives the accounts and investigations after taxpayers have failed to comply with several notices for past due taxes or unfiled tax returns. Customer Service Representatives (CSR) assigned to the ACS initiate and respond to telephone and correspondence contacts with these taxpayers in an attempt to collect the unpaid taxes and secure the unfiled tax returns.

While direct comparisons between Fiscal Years (FY) 2001 and 2002 cannot be made due to changes in the way that service-level measures were computed, changes in the way that calls were routed, and changes in the mix of cases that were worked, various ACS performance measures for the first and second quarters of FY 2002 nevertheless indicated that taxpayers may have found it increasingly difficult to contact ACS assistors to resolve their delinquent accounts and/or unfiled returns. Respondents to the IRS' customer satisfaction surveys during the first quarter of FY 2002 gave "*Ease of Getting Through by Phone*" as the highest priority for improving the ACS.

We believe these conditions primarily exist because the IRS does not have an adequate planning and management framework to effectively align the ACS activities, core processes, and resources. For example, the service-level objective generally provides the foundation for the most important activities in call center operations[2] and should link the desired performance results with the resources that are needed. However, the IRS' process of setting the service-level objective for the ACS is not linked to the resources that are needed or available. Instead, an 80 percent service-level objective for the ACS has been arbitrarily established and used for the past 10 years. When the volume of incoming calls to the ACS increased in FY 2002, management redirected resources from inventory work to answering telephones in order to meet the service-level objective. However, there was no data to show that emphasizing incoming telephone work over working inventory or making outbound calls increases the effectiveness and efficiency of the ACS. When inventory is not worked or not worked timely, case dispositions and revenue collections may be adversely affected.

The ACS function promotes compliance through four related work processes: an incoming call program, an outbound-call program, a correspondence program, and a collection enforcement program. However, little planning data exists to guide management decisions in allocating available ACS resources among these four processes to achieve the optimum delivery of quality, customer satisfaction, collection revenue, and operational efficiency. Better forecasting tools for predicting call demand and better scheduling tools for ensuring that assistors are available at the right times are needed. The ACS could also benefit from more clearly defined management roles and responsibilities.

We recommended that the IRS improve both the process for setting the ACS service-level objective by establishing a better linkage with the available resources, and the ACS data collection systems. We also recommended that the IRS explore the availability of simulation tools to provide better information for planning and managing the ACS operations; continue the efforts that are underway to establish more effective methods to forecast call volumes, identify resource needs, and schedule staff; and establish management accountability through a formal means that more clearly defines the roles and responsibilities for the two SB/SE Division offices with authority for overseeing the ACS Program.

---

[2] Tim Montgomery, "Are Your Processes Too Complicated? Take the Call Center Complexity Quiz," *Call Center Management Review* (September 2002): 9-10.

Management's Response: Management's response to the draft report was due on January 15, 2003. As of January 24, 2003, management had not responded to the draft report.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Parker F. Pearson, Acting Assistant Inspector General for Audit (Small Business and Corporate Programs), at (410) 962-9637.

Table of Contents

Background .... Page 1

Actions Are Being Taken to Improve Automated Collection System Operations .... Page 2

The Automated Collection System Could Benefit from a More Effective Planning and Management Framework .... Page 3

Recommendations 1 through 5: .... Page 15

Appendix I – Detailed Objective, Scope, and Methodology .... Page 16

Appendix II – Major Contributors to This Report .... Page 17

Appendix III – Report Distribution List .... Page 18

Background

A top priority of the Commissioner and a principal focus of Congressional oversight have been to create a modernized Internal Revenue Service (IRS). The IRS Restructuring and Reform Act of 1998 (RRA 98)[1] legislated the modernization of the IRS and also mandated that the IRS do a better job of meeting the needs of taxpayers. One of the IRS' first steps to implement the RRA 98 was to create a flatter organizational structure with four Business Operating Divisions that are distinctly aligned by customer segment.[2]

Under this new organizational structure, the SB/SE Division and the W&I Division took over the management and operation of the Automated Collection System (ACS) for their respective areas of responsibility. The ACS is a computerized inventory system that maintains certain balance due accounts and return delinquency investigations. The ACS generally receives the accounts and investigations after taxpayers have failed to comply with several IRS notices for past due taxes or unfiled tax returns.

Customer Service Representatives (CSR) assigned to the ACS initiate and respond to telephone and correspondence contacts with these taxpayers in an attempt to collect the unpaid taxes and secure the unfiled tax returns. These ACS contacts occur prior to cases being referred to the IRS' Collection Field function (CFf), which relies on face-to-face contacts with taxpayers. The ACS and the CFf perform many of the same processes, such as analyzing financial statement information, researching assets, entering into installment agreements, making currently not collectible determinations, and taking lien and/or levy enforcement actions.

The effectiveness of the ACS is critical for the IRS because of the large number of taxpayer compliance cases it addresses each year. During Fiscal Year (FY) 2001,[3] for example, the ACS received about 3.85 million Taxpayer Delinquent Accounts (TDA)[4] totaling more than $19 billion, and 1.18 million Taxpayer Delinquency Investigations (TDI).[5] During the same year, the ACS disposed of 2.88 million TDAs and more than 630,000 TDIs, and collected $1.27 billion. At the end of that year, the ACS had an inventory of 2.87 million TDAs totaling $7.83 billion, and nearly 900,000 TDIs.

---

[1] IRS Restructuring and Reform Act of 1998, Pub. L. 105-206, 112 Stat. 685.

[2] The IRS' four new operating divisions are the Large and Mid-Size Business Division, the Small Business/Self-Employed (SB/SE) Division, the Tax Exempt and Government Entities Division, and the Wage and Investment (W&I) Division.

This review was performed from January through April 2002 at the SB/SE Division's Compliance Policy office in New Carrollton, Maryland, and at the SB/SE Division's Compliance Services offices in Dallas, Texas, and Atlanta, Georgia. The audit was performed in accordance with *Government Auditing Standards.* Data used in this report came from various IRS reports. We did not verify the accuracy of the information from those sources. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Actions Are Being Taken to Improve Automated Collection System Operations

SB/SE Division management recognizes the need to improve the ACS operations by better using technology and resources. At the time of our review, the IRS was working with contract consultants to develop new ACS management processes. For example, the consultants were developing a new workload planning process to identify the annual call demand based on notice volume projections. A new ACS workforce management process was also being developed to identify resource availability and assigned workload to apply staffing to the forecasted workloads.

SB/SE Division management has initiated a pilot test of the Tele-Center Workforce Management System (TCWMS) at two ACS sites. The TCWMS is a software tool to enable better planning, scheduling, and tracking of resources. At the time we completed our review, no decisions had been made for full systems implementation.

---

[3] The FY 2001 ACS data includes data from both the SB/SE and the W&I Divisions.

[4] A TDA involves unpaid taxes on a return that has been filed.

[5] A TDI involves an unfiled return.

In addition, ACS management had formed a collection process improvement team to evaluate the use of a Predictive Dialer[6] to identify specific types of workload inventory that may be more responsive to outbound call attempts. The SB/SE Division Compliance function managers also had ACS personnel discuss work issues to recommend proactive measures to deal with any ACS concerns. Suggestions included changing procedures, instituting “inventory days” and a “national overtime day” to focus on inventory work, and lowering the Level of Service (LOS) goal. The SB/SE Division Compliance function managers have approved the procedural changes and inventory initiatives. Other ACS personnel are working to develop standardized query procedures for call site managers to monitor assistor activities.

The Automated Collection System Could Benefit from a More Effective Planning and Management Framework

Providing taxpayer access to resolve account issues is critical for timely account resolution and effective customer service. Direct comparisons of taxpayer access to the ACS between FYs 2001 and 2002 cannot be made due to a number of changes that were made for FY 2002. For example, a new formula was developed for computing the LOS measure,[7] intelligent call routing to the next available assistor was implemented to replace the old geographically-based routing system, and the mix of cases was different because of an emphasis on working newer, rather than older, inventory.

Nevertheless, various ACS performance data for the first and second quarters of FY 2002 suggest that taxpayers may have encountered increasing difficulties in successfully contacting the ACS assistors to resolve their delinquent accounts and/or unfiled returns:

---

[6] A Predictive Dialer automatically makes outgoing calls on a predetermined inventory. When contact is made, the call is transferred to a CSR who handles the call as a normal incoming call.

[7] The CSR LOS is the IRS’ new measure for providing taxpayers with access to a live assistor. It is based on the percentage of callers who reach a CSR after choosing that menu option. The measure omits those calls where the caller abandons (i.e., disconnects) the call before choosing to speak to an assistor.

- The CSR LOS was 71 percent and 72 percent in the first and second quarters, respectively, of FY 2002. By comparison, the LOS was 78 percent and 79 percent in the first and second quarters, respectively, of FY 2001. The cumulative LOS for FY 2001 was 79 percent.
- The Assistor Response Level (ARL)[8] was 23 percent and 26 percent in the first and second quarters, respectively, of FY 2002. By comparison, the ARL was 43 percent and 40 percent in the first and second quarters, respectively, of FY 2001. The ARL averaged 42 percent for all four quarters of FY 2001.
- The Average Speed of Answer (ASA)[9] was 458 seconds and 610 seconds in the first and second quarters, respectively, of FY 2002. By comparison, the ASA in FY 2001 had ranged from a high of 347 seconds in one quarter to a low of 222 seconds in another quarter.
- The call abandonment rate for incoming basic ACS calls was 22 percent and 29 percent in the first and second quarters, respectively, of FY 2002. By comparison, the abandonment rate was 15 percent and 14 percent in the first and second quarters, respectively, of FY 2001. The average call abandonment rate for all four quarters of FY 2001 was 13 percent.
- Although the ACS assistors answered more calls, the Average Handle Time (AHT)[10] per call also increased in FY 2002. The AHT was 1,519 seconds and 1,585 seconds during the first and second

---

[8] The IRS defines the ARL as the percentage of calls receiving service within 30 seconds.

[9] The ASA represents the average time that a caller spends in the call queue waiting for an assistor to answer.

[10] The AHT is a call center measure that includes the sum of the average talk time and average after-call work time for each call.

quarters, respectively, of FY 2002. The AHT in FY 2001 had ranged from a low of 1,358 seconds in one quarter to a high of 1,436 seconds in another quarter.

- The AHT is one of the factors that can affect the calls answered per staff hour. During the first and second quarters of FY 2002, the ACS assistors answered 2.4 and 2.3 calls per staff hour, respectively. In FY 2001, the calls answered per staff hour had ranged from a high of 2.7 in one quarter to a low of 2.5 in another quarter.

The IRS' customer satisfaction surveys also surfaced concerns with taxpayers' ability to gain access to ACS assistors. In the first quarter of FY 2002, survey respondents gave "*Ease of Getting Through by Phone*" as the highest priority for improvement. In addition to potentially damaging customer goodwill, one of the possible effects of taxpayers not being able to reach an ACS assistor is that they may not call back to resolve their delinquent account.

SB/SE Division management attributed part of the access problems to an estimated 18 to 22 percent of their call volume that involves non-ACS casework, such as calls from taxpayers responding to notices on cases that are assigned to the collection queue.[11] SB/SE Division management advised that they have a team assigned to identify these non-ACS calls and recommend changes to the various business rules for routing calls.

Successful organizations recognize that their activities, core processes, and resources must be aligned to support their mission and to achieve their performance goals. In a call center environment, this alignment includes choosing an appropriate service level, acquiring the necessary data to effectively plan and manage the operation, forecasting the call load, determining the staffing and telecommunication requirements, having the right number of skilled assistors available at the right times to handle the workload, and using advanced call center technologies to improve service and increase efficiency. The complexity of these management challenges is magnified in an operation like the ACS, which is responsible for handling inbound calls, making outbound calls, and working inventory. Forecasting call demand is particularly difficult since calls can originate from taxpayers whose accounts are not actively assigned to the ACS. Currently, the Joint Operations Center is responsible for the forecasting and scheduling processes, while the SB/SE Division is responsible for providing the resources at the ACS call sites.

---

[11] The collection queue is an automated holding file for lower priority cases that were not successfully resolved by the ACS.

Our review did not cover all aspects of the ACS operation and, therefore, may not have identified all of the reasons why the telephone access performance measures have declined. However, we identified four fundamental weaknesses in the planning and management framework of the ACS Program that may have contributed to these problems. Specifically, management:

- Did not have an effective process for setting an appropriate LOS objective that is linked to the resources that are available.
- Did not have the necessary data on the inputs and outputs of the ACS Program to ensure that resources are allocated to the ACS work processes (i.e., inbound calls, outbound calls, and inventory work) in a way that provides the optimum balance of customer satisfaction, tax revenue, and return on investment.
- Did not have effective tools for forecasting call demand and scheduling resources.
- Had not formally defined the roles and responsibilities of the two functions with authority for overseeing the ACS Program.

Setting the LOS objective and linking it with available resources

In call center operations, the service-level objective generally provides the foundation for the most important activities (i.e., planning, staffing, and execution)[12] and should tie the desired performance results with the resources (i.e., staffing and trunks[13]) that are needed. However, no process exists for SB/SE Division management to establish the appropriate LOS[14] objective for the ACS based on the resources that are needed or available. We were advised that, under the former IRS organization structure, the Customer Service function had arbitrarily established an 80 percent LOS objective for the ACS and that, for the past 10 years, that same 80 percent LOS objective has been continuously used for the ACS.

In FY 2002, the SB/SE Division established the same 80 percent objective for its new CSR LOS measure. When the volume of incoming calls to the ACS increased by 20 percent in the first quarter of FY 2002 from the same period in the prior year, ACS site managers redirected staff from inventory work to answer the incoming calls in order to meet its CSR LOS objective. The resources shift to answer calls resulted in 13 percent more calls being answered, and also caused staff hours for handling incoming calls to increase by 25 percent.

In our opinion, emphasizing phone work may not necessarily provide balance and may not always result in resolved cases. Our opinion is based on an internal IRS analysis of ACS TDA closures. The impact of redirecting resources from inventory work to answering calls was identified as a contributing factor in the decline in ACS TDA closures between January 2001 and January 2002. The analysis stated:

> *"When inventory is not worked or not worked timely, dispositions are adversely*

---

[12] Tim Montgomery, "Are Your Processes Too Complicated? Take the Call Center Complexity Quiz," *Call Center Management Review* (September 2002): 9-10.
[13] A trunk is a telephone circuit linking two switching systems.
[14] The IRS has traditionally used LOS rather than the "Service Level" measure that is commonly used in the private sector. The LOS is computed by dividing the total number of calls answered by the total number of calls attempted. Service Level is the percentage of calls that are answered in a specified number of seconds.

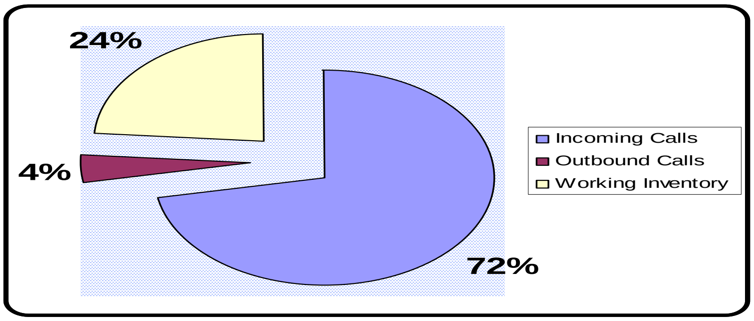
> *impacted. Either the closing action is not taken, the lien (is) not filed, the levy (is) not sent, or the (legal) time period has passed (which then requires that) a new Final Notice must be sent prior to filing the lien or serving the levy."*

Acquiring necessary data on the ACS Program so that resources can be allocated in the most effective and efficient manner

The ACS function promotes compliance through four related work processes: an incoming call program, an outbound-call program, a correspondence program, and a collection enforcement program. The IRS must spread its resources among these four processes in a fixed-resource environment.

The ACS was originally intended to serve as an aggressive outbound-call program targeted at making early contact with taxpayers with accounts needing resolution. Over the years, however, the ACS operation has evolved into primarily taking incoming calls from taxpayers. In fact, during FY 2001, taxpayers attempted almost 3.3 million telephone calls to the ACS. Figure 1 shows that 72 percent of the 2,634 Full-Time Equivalents (FTE)[15] assigned to the ACS in FY 2001 was allocated to answering incoming telephone calls.

Figure 1. Allocation of ACS Resources – FY 2001



Source: ACS Workplan, FY 2001.

---

[15] An FTE is a measure of human labor hours. One FTE is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year. For FY 2001, 1 FTE was equal to 2,080 staff hours.

Although ACS managers in the Compliance Policy and Compliance Services functions know that ACS performance measures have declined, they do not know the cause. In response to concerns over the growing ACS inventory, ACS managers have suggested lowering the CSR LOS objective so that additional resources can be directed to inventory work.[16] As an additional measure, management plans to designate specific days for call sites to work inventory only. These "inventory days" should assist in reducing backlogged inventories in the highest priority inventory areas.

Good planning data is essential for evaluating operational needs. Simulation is an emerging tool in the call center industry that can allow management to "model" ideas (i.e., assess the impact of changes) for improving call center processes, reallocating resources, testing new technology, and revising procedures without the risk and expense of actually implementing the changes.[17]

However, little empirical data exists to guide management decisions in allocating available ACS resources to receiving incoming calls, making outbound calls, or working inventory to achieve the optimum delivery of quality, customer satisfaction, collection revenue, and operational efficiency. For example, the current management information systems provide no data on the inbound-call program's costs in dollars or staff hours, or on that program's accomplishments in producing tax revenues or TDA/TDI dispositions.

As a result, ACS management cannot measure the effectiveness or efficiency of the inbound-call program. In addition, there are no management information systems that track or use average call value as a performance indicator. Consequently, management cannot identify the revenue generated through the inbound-call program. Furthermore, the current management information systems cannot provide data for determining revenues associated with busy signals or abandoned calls (i.e., lost opportunity cost) and do not identify “call back” traffic.

---

[16] Management had taken no action to lower the CSR LOS objective at the time we completed our review.

[17] Jon Anton, Vivek Bapat, and Bill Hall, *Call Center Performance Enhancement: Using Simulation and Modeling* (West Lafayette: Purdue University Press, 1999), 32.

Without reliable data for predicting the outcomes of these approaches, however, we are concerned that ACS Program management will continue to struggle with effectively aligning their human capital and work processes to maximize both revenues and customer satisfaction.
ACS Program management recognizes the need for obtaining relevant information for evaluating operations and wants to develop automated systems that would provide feedback on SB/SE Division performance measures. For example, ACS Program managers would like to know how much time is committed to each program. At present, the Work Planning & Control (WP&C) time reporting system does not identify how much time is spent on answering phones versus working inventories. Management advised us that changes to the WP&C system could occur in the FY 2004 - 2005 time period.

Also, the Compliance Services function’s staff would like to develop an empirical database covering the relationships between notices or casework activities and phone contacts. Knowing the “causes and effects” of ACS activities would provide managers with the basis for developing collection strategies to define goals and to develop work plans to meet those goals.

Improving the processes for forecasting call demand and scheduling resources

Forecasting is the process of predicting call volume and workload in order to assign the appropriate number of staff to meet the desired CSR LOS and response time objectives. Accurate forecasting is critical to scheduling sufficient resources. Forecasting is generally based on historical call patterns, average handle times, assistor skills and performance, knowledge of planned events, and staff shrinkage[18] factors based on experience. Scheduling is the process of allocating assistors and other resources in a way that will meet the CSR LOS and other objectives for specific days and times. Accurate schedules and schedule adherence are essential for having sufficient personnel on-line at the right times to handle incoming calls.

The SB/SE Division's current ACS forecasting methodology does not use available data on busy signals, abandoned calls, or repeating call patterns. The forecasts, which used the AHT achieved in FY 2001, were not adjusted to reflect the significantly higher AHT experienced in FY 2002. The forecasts are also limited to the volume for basic calls. The ACS Program does not have historical data covering call volumes for agent groups or applications.

Also, the current forecast methodology does not always use knowledge of planned events to allow for better forecasting of call volume. For example, the incoming call volumes for the week ending March 9, 2002, were higher than expected because the ACS scheduler did not know that more than 10,000 LT16 letters ("Please call us about your overdue taxes or tax return") had recently been mailed to taxpayers. At the time of our review, SB/SE Division Compliance function managers had added the scheduler to the Customer Service Activity Report (CSAR) distribution list.

We were advised that the ACS call site managers or system analysts submit pay period schedules from 2 to 4 weeks in advance of the planning period. Those schedules show the number of assistors available for working the inbound-call program. With this information, the ACS scheduler uses preset percentages for staff shrinkage to adjust the site rosters. Next, the scheduler manually prepares each site's schedule so that staff is available to meet 80 percent of the estimated call demand. The ACS scheduler did not retain any records of this activity. Furthermore, no ACS followup procedures exist to check on scheduling accuracy or schedule adherence.

---

[18] Staff shrinkage accounts for breaks, absenteeism, and ongoing training. It is a form of forecasting that leads to the calculation of the minimum staff needed on schedule over and above the base staff required to meet the CSR LOS and response time objectives.

In addition, the current ACS scheduling methodology did not identify the total number of assistors that were available or when they were available. The ACS call sites provided a different number of on-roll assistors from day-to-day. Although different work periods affect resource availability, the scheduler could not ensure that all assistors were listed on the site availability rosters. At the time of our review, the scheduler advised us that ACS Program managers had requested that the ACS sites provide staff data by shift to the scheduler.

The ACS operations do not have formal escalation plans that specify the actions to be taken when the call queue[19] begins to build beyond acceptable levels. At peak demands, management can reassign assistors until everyone is busy answering the calls.

At the time we completed our review, the IRS was working with contract consultants to develop a model for forecasting ACS incoming call volumes. Also, ACS Program management had contracted with consultants to review the ACS processes to develop better ways for ensuring that staff is available to handle incoming calls. During March 2002, the contract consultants provided a "tool" for estimating call volumes that does account for mailings of some IRS letters. Consequently, the impact of these mailings can now affect the estimate of the number of assistors needed to answer incoming calls. Also, the contract consultants provided the SB/SE Division scheduler with a copy of the CSAR report containing mailing information.

Until SB/SE Division development efforts produce effective forecasting and scheduling procedures, the SB/SE Division's ACS Program does not have good methodologies to ensure that assistors are available when and where needed.

---

[19] A call queue is a holding place for calls while waiting for a CSR to become available.

Defining management roles and responsibilities

The SB/SE Division's management of ACS operations is still maturing. When the SB/SE Division received control of eight ACS call sites after the IRS' FY 2000 reorganization, it did not have an established management structure or system to monitor or control the inbound-call program and other ACS functions. Two SB/SE Division functions, Compliance Services and Compliance Policy, share responsibility for the ACS operations. Although an oral agreement exists, management has not yet formalized the specific ACS roles and related responsibilities of these two functions.

During FY 2001, the Compliance Services function handled most of the ACS management and oversight activities, since the Compliance Policy function was in the process of building a staff. After the IRS reorganization, the SB/SE Division experienced difficulties in recruiting personnel experienced in ACS work. Skilled ACS personnel from the former Customer Service organization had migrated, for the most part, to the W&I Division. With the Compliance Policy function now fully staffed, the Compliance Services and Compliance Policy functions are defining the specific roles that each office will handle. The defined areas of responsibility could be the basis for developing a mission statement.

The current proposals would have the Compliance Policy function responsible for specific ACS measures or targets, and the Compliance Services function responsible for ACS performance. The Compliance Policy function would also be responsible for conducting ACS Program reviews, whereas the Compliance Services function would conduct operational reviews on managerial issues. Both functions would share all reviews at the executive level.

In addition, the Compliance Policy function could have the responsibility to establish the policy and technical procedures for all ACS programs. To accomplish this goal, their staff would have the responsibility for coordinating new or revised policies or procedures with interested stakeholders. Furthermore, the Compliance Policy function would assume the lead role in developing and preparing the

Strategic Business Plan, Business Measures/Targets, and Business Performance Reviews. The Compliance Policy function also will have responsibility for preparing the annual training plan for ACS personnel.

If this scenario holds, the Compliance Services function would have the responsibility to monitor performance measures and operational activities. This oversight would include evaluating ACS site activities in meeting the SB/SE Division's objectives and goals, and in adhering to established operating procedures.

One of the key factors affecting the control environment is the agency's organizational structure, which should clearly define key areas of authority and responsibility and establish appropriate lines of reporting. The manner in which the agency does this also affects the control environment.

At present, the SB/SE Division's ACS control environment neither clearly defines key areas of authority and responsibility nor establishes appropriate lines of reporting. The *Standards for Internal Control in the Federal Government* issued by the General Accounting Office note that not defining roles can lead to inadequate information on program performance and insufficient articulation of program goals.

Not having formalized roles and responsibilities may contribute to the ad hoc reporting process that is currently in use and to the decline in meeting demand for access to the ACS telephone lines. Also, this situation may account for these compliance functions not having information on the number of available assistors, the number of workstations, or the number of trunks supporting their ACS call sites. Such factors are essential in evaluating the ACS Program's capacity to handle incoming calls.

Recommendations

The Director, Compliance, SB/SE Division, with the assistance of the Director, Customer Account Services, W&I Division, when appropriate, should:

1. Improve the process for setting the CSR LOS objective for the ACS so that it is linked to the available resources.
2. Improve the data collection systems to provide better information for planning and managing the ACS operations, and for allocating resources to the ACS work processes (i.e., inbound calls, outbound calls, and inventory work) in a way that provides the optimum balance of customer satisfaction, tax revenue, and return on investment.
3. Explore the availability of simulation tools that could be used to analyze and improve the ACS operations and business processes.
4. Continue the efforts that are underway to establish more effective methodologies to forecast call volumes, identify resource needs, and schedule staff.
5. Formally establish management accountability that more clearly defines the roles and responsibilities for the two SB/SE Division functions with authority for overseeing the ACS Program.

Management’s Response: Management’s response to the draft report was due on January 15, 2003. As of January 24, 2003, management had not responded to the draft report.

Appendix I

Detailed Objective, Scope, and Methodology

Our audit objective was to evaluate the effectiveness of the Small Business/Self-Employed (SB/SE) Division's efforts to meet taxpayer demand for access to the Automated Collection System (ACS)[1] inbound-call program.

To accomplish this objective, we discussed current ACS operations with the SB/SE Division's Compliance Policy and Compliance Services functions' managers and program analysts, and reviewed available documentation to determine how SB/SE Division personnel estimated demand for nonspecialized ACS inbound-call services and how they planned to meet that demand. Specifically, we:

I. Evaluated the goal setting, planning, and management framework for the ACS Program's inbound-call operations.

II. Evaluated the methodology used to forecast incoming call load.

III. Evaluated the methodology used to determine resource requirements.

IV. Evaluated the process used to schedule resources to meet the forecasted incoming call load.

V. Evaluated the capabilities to manage the level of service in a real-time environment.

VI. Determined the progress the Internal Revenue Service has made toward modernizing the ACS and evaluated the potential impact on improving service.

VII. Evaluated current year performance to date to determine whether service to taxpayers is improving or declining.

---

[1] The ACS is a computerized inventory system that maintains certain balance due accounts and return delinquency investigations. The ACS generally receives the accounts and investigations after taxpayers have failed to comply with several notices for past due taxes or unfiled tax returns. Customer Service Representatives assigned to the ACS initiate and respond to telephone and correspondence contacts with these taxpayers in an attempt to collect the unpaid taxes and secure the unfiled tax returns.

Appendix II

Major Contributors to This Report

Parker F. Pearson, Acting Assistant Inspector General for Audit (Small Business and Corporate Programs)
Philip Shropshire, Director
William E. Stewart, Audit Manager
Lawrence R. Smith, Senior Auditor
Gregory W. Holdeman, Auditor

Appendix III

Report Distribution List

Acting Commissioner N:C
Deputy Commissioner, Small Business/Self-Employed Division S
Deputy Commissioner, Wage and Investment Division W
Director, Compliance, Small Business/Self-Employed Division S:C
Director, Customer Account Services, Wage and Investment Division W:CAS
Director, Joint Operations Center, Wage and Investment Division W:CAS:JOC
Deputy Director, Compliance Policy, Small Business/Self-Employed Division S:C
Deputy Director, Compliance Services, Small Business/Self-Employed Division S:C:CS
Chief Counsel CC
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Office of Management Controls N:CFO:F:M
Audit Liaisons:
    Commissioner, Small Business/Self-Employed Division S
    Commissioner, Wage and Investment Division W